

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Benzonia Township	County Benzie
Fiscal Year End 3/31/2007	Opinion Date June 6, 2007	Date Audit Report Submitted to State September 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

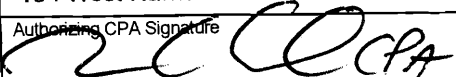
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Communication of Significant Deficiencies	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, PC		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
Zip 49601		License Number 1101023146	
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	

BENZONIA TOWNSHIP, BENZIE COUNTY

BENZONIA, MICHIGAN

MARCH 31, 2007

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MARCH 31, 2007

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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June 6, 2007

INDEPENDENT AUDITORS' REPORT

To the Township Board
Benzonia Township
Benzie County
Benzonia, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township, Benzie County, Benzonia, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township, Benzie County, Benzonia, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 20 and 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benzonia Township, Benzie County, Benzonia, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Benzonia Township, a general law township located in Benzie County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Benzonia Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,724,581. Of this amount, \$633,700 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,253,158 a decrease of \$11,003 in comparison with the prior year.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$1,724,581 at March 31, 2007, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Benzonia Township
Net Assets as of March 31,

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Assets		
Current Assets	\$ 1,258,192	\$ 1,266,922
Non Current Assets		
Capital Assets	1,253,623	1,139,988
Less: Accumulated Depreciation	782,461	793,042
Total Non Current Assets	471,162	346,946
Total Assets	<u>1,729,354</u>	<u>1,613,868</u>
Liabilities		
Accounts Payable	4,773	2,275
Net Assets		
Invested in Capital Assets	471,162	346,946
Restricted for Specific Purposes	619,719	243,220
Unrestricted	633,700	1,021,427
Total Net Assets	<u>\$ 1,724,581</u>	<u>\$ 1,611,593</u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$633,700 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$112,988 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Benzonia Township
Change in Net Assets
for the Fiscal Year Ended March 31,

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 62,037	\$ 56,009
Operating Grants and Contributions	18,616	7,708
Capital Grants and Contributions	0	4,850
General Revenues		
Taxes	293,015	281,123
State Grants	134,824	133,807
Interest Earnings	43,980	34,529
Gain on Sale of Capital Assets	56	0
Other	3,773	4,323
Total Revenues	<u>556,301</u>	<u>522,349</u>
<u>Expenses</u>		
Legislative	43,353	47,325
General Government	173,283	160,382
Public Safety	125,137	111,551
Public Works	15,528	2,864
Community and Economic Development	160	200
Recreation and Culture	24,347	24,120
Other Functions	61,505	61,717
Total Expenses	<u>443,313</u>	<u>408,159</u>
Change in Net Assets	112,988	114,190
NET ASSETS - Beginning of Year	<u>1,611,593</u>	<u>1,497,403</u>
NET ASSETS - End of Year	<u>\$ 1,724,581</u>	<u>\$ 1,611,593</u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Governmental Activities

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$112,988 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Benzonia Township comes from property taxes. The Township levied a millage for fire protection, in addition to the operating millages, this fiscal year. The Township levied 0.8314 mills for operating purposes, and 0.6879 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$173,283. Public safety represented the next largest expense at \$125,137 followed by other functions at \$61,505.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Benzonia Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Benzonia Township's governmental funds reported combined ending fund balances of \$1,253,158. Of this total amount \$633,439 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$54,454 which brings the fund balance to \$351,637. Of the General Fund's fund balance, \$1,688 is reserved for Telecommunications Right of Way Maintenance.

Fire Fund – The Fire Fund increased its fund balance by \$66,972 which brings the fund balance to \$310,192. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2006 tax roll. This resulted in \$115,185 in tax related revenues during the current fiscal year.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2007 amounted to \$471,162 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 (for purchases after March 31, 2004) and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Benzonia Township
Capital Assets as of March 31,

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Land	\$ 52,000	\$ 67,000
Buildings	303,306	295,898
Land Improvements	28,832	28,832
Equipment, Furniture and Fixtures	869,485	748,258
	<u>\$ 1,253,623</u>	<u>\$ 1,139,988</u>
Less Accumulated Depreciation	782,461	793,042
Net Capital Assets	<u>\$ 471,162</u>	<u>\$ 346,946</u>

Major capital asset events during the current fiscal year included the following:

- ♦ Sold Hoag property for \$13,055.
- ♦ Purchased a 2003 International Tanker for \$162,227.
- ♦ Replaced siding to enhance the life of the township's building for \$7,408.

Long-Term Debt

Benzonia Township has no obligation for any long-term debt as of March 31, 2007.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Benzonia Township at P.O. Box 224, Benzonia, Michigan 49616-0224.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 929,661
Receivables	
Taxes	25,380
External Parties (Fiduciary Fund)	266,081
Due from Other Governments	<u>37,070</u>
Total Current Assets	<u>1,258,192</u>
 <u>CAPITAL ASSETS</u>	
Land	52,000
Buildings	303,306
Land Improvements	28,832
Equipment, Furniture and Fixtures	<u>869,485</u>
	1,253,623
Less Accumulated Depreciation	<u>782,461</u>
Net Capital Assets	<u>471,162</u>
 TOTAL ASSETS	 <u>1,729,354</u>
 <u>LIABILITIES</u>	
Accounts Payable	<u>4,773</u>
 <u>EQUITY</u>	
Net Assets:	
Invested in Capital Assets	471,162
Restricted for Specific Purposes	619,719
Unrestricted	<u>633,700</u>
 TOTAL NET ASSETS	 <u>\$ 1,724,581</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007

						NET (EXPENSES)
						REVENUES
						AND CHANGE
						IN NET ASSETS
		PROGRAM REVENUES				
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR	OPERATING	CAPITAL		TOTAL
		SERVICES	GRANTS AND	GRANTS AND		GOVERNMENTAL
			CONTRIBUTIONS	CONTRIBUTIONS		ACTIVITIES
<u>PRIMARY GOVERNMENT</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
Legislative	\$ 43,353	\$ 0	\$ 0	\$ 0		\$ (43,353)
General Government	173,283	7,455	0	0		(165,828)
Public Safety	125,137	54,277	0	0		(70,860)
Public Works	15,528	0	17,216	0		1,688
Community and Economic Development	160	0	0	0		(160)
Recreation and Culture	24,347	305	1,400	0		(22,642)
Other Functions	61,505	0	0	0		(61,505)
Total	\$ 443,313	\$ 62,037	\$ 18,616	\$ 0		(362,660)

GENERAL REVENUES

Taxes	293,015
State Grants	134,824
Interest Earnings	43,980
Gain on Sale of Capital Assets	56
Other	3,773
Total General Revenues	<u>475,648</u>
Change in Net Assets	112,988
NET ASSETS - Beginning of Year	<u>1,611,593</u>
NET ASSETS - End of Year	<u>\$ 1,724,581</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY

BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2007

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>ASSETS</u>						
Cash	\$ 142,092	\$ 196,240	\$ 307,839	\$ 275,869	\$ 7,621	\$ 929,661
Taxes Receivable	13,889	11,491	0	0	0	25,380
Due from Other Funds	162,269	103,812	0	0	0	266,081
Due from Other Governments	37,070	0	0	0	0	37,070
TOTAL ASSETS	<u>\$ 355,320</u>	<u>\$ 311,543</u>	<u>\$ 307,839</u>	<u>\$ 275,869</u>	<u>\$ 7,621</u>	<u>\$ 1,258,192</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 3,540	\$ 1,233	\$ 0	\$ 0	\$ 0	\$ 4,773
Deferred Revenue	143	118	0	0	0	261
Total Liabilities	<u>3,683</u>	<u>1,351</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,034</u>
<u>FUND BALANCE</u>						
Reserved for:						
Fire Protection	0	310,192	0	0	0	310,192
Fire Improvements	0	0	307,839	0	0	307,839
Telecommunications Right of Way Maintenance	1,688	0	0	0	0	1,688
Unreserved						
Designated for:						
Road Improvements	0	0	0	275,869	0	275,869
Park Improvements	0	0	0	0	7,621	7,621
Undesignated	349,949	0	0	0	0	349,949
Total Fund Balance	<u>351,637</u>	<u>310,192</u>	<u>307,839</u>	<u>275,869</u>	<u>7,621</u>	<u>1,253,158</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 355,320</u>	<u>\$ 311,543</u>	<u>\$ 307,839</u>	<u>\$ 275,869</u>	<u>\$ 7,621</u>	<u>\$ 1,258,192</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2007

Total Fund Balance for Governmental Funds	\$ 1,253,158
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Capital Assets	1,253,623	
Accumulated Depreciation	<u>(782,461)</u>	471,162

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Personal Property Taxes Receivable	<u>261</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,724,581</u></u>
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The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>REVENUES</u>						
Taxes	\$ 178,055	\$ 115,185	\$ 0	\$ 0	\$ 0	\$ 293,240
Licenses and Permits	1,588	0	0	0	0	1,588
State Grants	152,040	0	0	0	0	152,040
Charges for Services	7,455	52,994	0	0	0	60,449
Interest and Rents	8,758	8,056	14,716	12,386	64	43,980
Other Revenues	16,101	2,728	0	0	1,400	20,229
Total Revenues	363,997	178,963	14,716	12,386	1,464	571,526
<u>EXPENDITURES</u>						
Legislative	43,353	0	0	0	0	43,353
General Government	168,289	0	0	0	0	168,289
Public Safety	0	272,986	0	0	0	272,986
Public Works	15,528	0	0	0	0	15,528
Community and Economic Development	160	0	0	0	0	160
Recreation and Culture	20,708	0	0	0	0	20,708
Other Functions	61,505	0	0	0	0	61,505
Total Expenditures	309,543	272,986	0	0	0	582,529
Excess (Deficiency) of Revenues Over Expenditures	54,454	(94,023)	14,716	12,386	1,464	(11,003)

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	0	160,995	(160,995)	0	0	0
Net Change in Fund Balance	54,454	66,972	(146,279)	12,386	1,464	(11,003)
<u>FUND BALANCE</u> - Beginning of Year	297,183	243,220	454,118	263,483	6,157	1,264,161
<u>FUND BALANCE</u> - End of Year	\$ 351,637	\$ 310,192	\$ 307,839	\$ 275,869	\$ 7,621	\$ 1,253,158

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ (11,003)
---	-------------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(30,419)
Capital Outlay	169,635

In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balance by the cost of capital assets sold net of accumulated depreciation.

Governmental Funds - Gain on sale of capital assets	
Subtract gross sale proceeds	(15,056)
Add gain on sale of capital assets	56

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in personal property tax revenue deferred using the modified accrual method	<u>(225)</u>
--	--------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 112,988</u>
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The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

MARCH 31, 2007

	<u>AGENCY FUND</u>	<u>TAX COLLECTION FUND</u>
<u>ASSETS</u>		
Cash	\$ 7,800	\$ 266,081
Due from Other Organizations and Individuals	<u>206</u>	<u>0</u>
 TOTAL ASSETS	 <u>\$ 8,006</u>	 <u>\$ 266,081</u>
 <u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 266,081
Due to Other Governments	<u>8,006</u>	<u>0</u>
 TOTAL LIABILITIES	 <u>\$ 8,006</u>	 <u>\$ 266,081</u>

The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Benzonia Township is a general law township located in Benzie County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Benzonia Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted as expenditures for fire protection.

The *Fire Improvement Fund* accounts for revenue sources that are legally restricted as expenditures for fire improvements.

The *Road Improvement Fund* accounts for revenue sources that are designated as expenditures for road improvements.

The *Parks Improvement Fund* accounts for revenue sources that are designated as expenditures for park improvements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Additionally Benzonia Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).
- (h) Investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land Improvements	20
Equipment, Furniture and Fixtures	5-10

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 8, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with Expenditures in Excess of Appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Assessor	\$ 38,475	\$ 39,004
Building and Grounds	15,350	18,628
Septic System	0	11,916

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Central State Bank in Benzonia, Michigan.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, \$689,815 of the government's bank balance of \$1,207,570 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are presented in the statement of net assets.

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 143	\$ 0
Delinquent property taxes receivable (Fire Fund)	118	0
	<u>\$ 261</u>	<u>\$ 0</u>

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 67,000	\$ 0	\$ 15,000	\$ 52,000
Capital assets, being depreciated				
Buildings	295,898	7,408	0	303,306
Land Improvements	28,832	0	0	28,832
Equipment, Furniture and Fixtures	748,258	162,227	41,000	869,485
Total capital assets, being depreciated	<u>1,072,988</u>	<u>169,635</u>	<u>41,000</u>	<u>1,201,623</u>
Less accumulated depreciation for:				
Buildings	110,005	6,165	0	116,170
Land Improvements	16,456	1,442	0	17,898
Equipment, Furniture and Fixtures	666,581	22,812	41,000	648,393
Total accumulated depreciation	<u>793,042</u>	<u>30,419</u>	<u>41,000</u>	<u>782,461</u>
Total capital assets, being depreciated, net	<u>279,946</u>	<u>139,216</u>	<u>0</u>	<u>419,162</u>
Governmental activities capital assets, net	<u>\$ 346,946</u>	<u>\$ 139,216</u>	<u>\$ 15,000</u>	<u>\$ 471,162</u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 10,402
Public Safety	16,378
Recreation and Culture	<u>3,639</u>
Total depreciation expenses - governmental activities	<u><u>\$ 30,419</u></u>

Construction Commitments:

None

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 162,269	\$ 0
Special Revenue Funds		
Fire Funds	103,812	0
Fiduciary Funds		
Current Tax Collection Fund	<u>0</u>	<u>266,081</u>
	<u><u>\$ 266,081</u></u>	<u><u>\$ 266,081</u></u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2007

	<u>TRANSFERS IN</u>	<u>OUT</u>
<u>Primary Government</u>		
Fire Fund	\$ 160,995	\$ 0
Fire Improvement Fund	<u>0</u>	<u>160,995</u>
	<u><u>\$ 160,995</u></u>	<u><u>\$ 160,995</u></u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

Transfers are used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At March 31, 2007, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Telecommunications Right of Way Maintenance	\$	1,688	
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Special Revenue Fund

Fire Fund

Fire Protection	310,192		
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Fire Improvement Fund

Fire Improvement	307,839	\$	619,719
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Unreserved Designated for:

Special Revenue Funds

Road Improvement Fund

Road Improvements	275,869		
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Parks Improvement Fund

Parks Improvements	7,621		283,490
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TOTAL FUND BALANCE

RESERVES AND DESIGNATIONS		\$	903,209
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IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Related Party Transaction

The Township is insured through the Michigan Township Participating Plan. The Township Clerk is a Director and Officer of this organization.

C. Pension Plan

The Township participates in a defined contribution pension plan. The plan covers the Township's firefighters and elected officials with contribution based on their years of service. The Township's 2006-2007 contribution was \$17,000.

D. Property Tax

The 2006 taxable valuation of the Benzonia Township totaled \$166,877,492, on which ad valorem taxes levied consisted of 0.83140 mills for the Benzonia Township operating purposes, and 0.68790 mills for Benzonia Township fire protection. These levies raised approximately \$139,361 for operating purposes and \$115,304 for fire protection.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 170,800	\$ 170,800	\$ 178,055	\$ 109,500	\$ 109,500	\$ 115,185
Licenses and Permits	2,500	2,500	1,588	0	0	0
State Grants	136,500	136,500	152,040	0	0	0
Charges for Services	6,050	6,050	7,455	53,000	53,000	52,994
Interest and Rents	7,200	7,200	8,758	4,500	4,500	8,056
Other Revenues	22,550	22,550	16,101	0	0	2,728
Total Revenues	345,600	345,600	363,997	167,000	167,000	178,963
<u>EXPENDITURES</u>						
Legislative						
Township Board	53,850	57,850	43,353	0	0	0
General Government						
Supervisor	17,650	17,650	16,720	0	0	0
Election	17,800	17,800	5,809	0	0	0
Assessor	38,475	38,475	39,004	0	0	0
Clerk	35,200	35,200	34,778	0	0	0
Board of Review	3,800	3,800	3,153	0	0	0
Treasurer	24,200	24,200	21,797	0	0	0
Building and Grounds	15,350	15,350	18,628	0	0	0
Cemetery	38,300	38,300	28,400	0	0	0
Public Safety						
Fire Protection	0	0	0	334,900	334,900	272,986
Fire Improvement	0	0	0	0	0	0
Public Works						
Highways, Roads and Bridges	5,000	5,000	3,612	0	0	0
Septic System	0	0	11,916	0	0	0
Community and Economic Development						
Zoning	500	500	160	0	0	0
Recreation and Culture						
Parks and Recreation	23,000	23,000	14,708	0	0	0
Library	4,000	4,000	4,000	0	0	0
Historical Society	2,000	2,000	2,000	0	0	0
Other Functions						
Insurance and Bonds	10,000	10,000	8,469	0	0	0
Employee Benefits	58,500	58,500	53,036	0	0	0
Contingency	98,975	94,975	0	63,900	63,900	0
Total Expenditures	446,600	446,600	309,543	398,800	398,800	272,986
Excess (Deficiency) of Revenues Over Expenditures	(101,000)	(101,000)	54,454	(231,800)	(231,800)	(94,023)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	0	0	0	100,000	100,000	160,995
Net Change in Fund Balance	(101,000)	(101,000)	54,454	(131,800)	(131,800)	66,972
<u>FUND BALANCE</u> - Beginning of Year	101,000	101,000	297,183	131,800	131,800	243,220
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 351,637	\$ 0	\$ 0	\$ 310,192

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BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2007

	BALANCE			BALANCE	
	4/1/2006	ADDITIONS	DEDUCTIONS	3/31/2007	
<u>ASSETS</u>					
Cash	\$ 11,785	\$ 78,821	\$ 82,806	\$ 7,800	
Due from Other Organizations and Individuals	0	206	0	206	
<hr/>					
TOTAL ASSETS	\$ 11,785	\$ 79,027	\$ 82,806	\$ 8,006	
<hr/>					
<u>LIABILITIES</u>					
Due to Other Organizations and Individuals	\$ 0	\$ 5,800	\$ 5,800	\$ 0	
Due to Other Governments	11,785	73,227	77,006	8,006	
<hr/>					
TOTAL LIABILITIES	\$ 11,785	\$ 79,027	\$ 82,806	\$ 8,006	
<hr/>					

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2007

	BALANCE			BALANCE
	4/1/2006	ADDITIONS	DEDUCTIONS	3/31/2007
<u>ASSETS</u>				
Cash in Bank	\$ 259,846	\$ 3,372,753	\$ 3,366,518	\$ 266,081
<u>LIABILITIES</u>				
Due to Other Funds	\$ 258,894	\$ 267,270	\$ 260,083	\$ 266,081
Due to Other Governments	952	3,105,048	3,106,000	0
Due to Other Organizations and Individuals	0	435	435	0
TOTAL LIABILITIES	\$ 259,846	\$ 3,372,753	\$ 3,366,518	\$ 266,081

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF 2006 TAX ROLL
MARCH 31, 2007

TAXES ASSESSED

County	\$	817,639	
Bay Area Transportation Authority		83,426	
Township			
Operating		139,361	
Fire		115,304	
School			
Benzie Central Schools		2,067,594	
Intermediate School			
Traverse Bay Area Intermediate		<u>493,122</u>	\$ 3,716,446

TAXES COLLECTED

County	733,770	
Bay Area Transportation Authority	75,455	
Township		
Operating	125,472	
Fire	103,813	
School		
Benzie Central Schools	1,851,778	
Intermediate School		
Traverse Bay Area Intermediate	<u>444,045</u>	<u>3,334,333</u>

TAXES RETURNED DELINQUENT

County	83,869	
Bay Area Transportation Authority	7,971	
Township		
Operating	13,889	
Fire	11,491	
School		
Benzie Central Schools	215,816	
Intermediate School		
Traverse Bay Area Intermediate	<u>49,077</u>	<u>\$ 382,113</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

June 6, 2007

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Benzonia Township
Benzie County
Benzonia, Michigan

During the course of our audit of the financial statements of Benzonia Township for the year ended March 31, 2007, we noted the following items:

Recording Interest Income

While testing bank reconciliations at year end, it was determined that not all interest income was recorded during the year. The amounts in question related to January, February and March and were corrected in April. In the future, we recommend recording all interest each month before closing the books for the month.

Michigan Unemployment

As noted in prior years, the Township is paying Michigan unemployment incorrectly. We have also provided the township with information relating to what employees should be reported for unemployment purposes.

Condition of Accounting Records

The records were found to be in good condition, and we appreciate the assistance the township provided us in completing the annual audit.

Budgeting

Public Act 621 states that the budget document that the Township adopt include the following financial information.

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

The Township's budget document does not contain all of the required information.

Tax Collection Fund Balance

A balance remained in the Tax Collection Fund at March 31, 2007, which was owed to the Township General Fund and Fire Fund. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank accounts open.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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June 6, 2007

To the Township Board
Benzonia Township
Benzonia, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benzonia Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Benzonia Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the deficiency described in number 1 above (Lack of Segregation of Duties) is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.